

Summary of the FY05 Operating Budget

VITA's proposed FY 2005 budget includes projected revenues of \$292 million and expenses of \$295 million, an increase of \$102 million and \$93 million over FY 2004 levels, respectively. This increase is generally due to the anticipated increases in VITA's internal service funds associated with the transitioned agencies.

Expenses, in total, are expected to exceed revenues due to activity in the enterprise funds and federal grant funds; retained earnings are in place to meet these requirements, as anticipated. Pro forma FY 2005 financial statements as well as FY 2004 final statements will be provided at the Committee's upcoming September Finance Committee meeting.

FY 2004 - 2005 Funding Estimates Summary All Funds

	<i>FY 2004 Projection</i>	<i>FY2005 Proposed Budget</i>	<i>Change</i>
Operating Revenues, incl transfers in	\$189,437,159	\$291,643,258	\$102,206,099
Expenses, incl transfers out	<u>\$202,285,347</u>	<u>\$295,155,701</u>	<u>\$92,870,354</u>
Net Change	(\$12,848,188)	(\$3,512,443)	\$9,335,745
Retained Earnings, July 1	<u>\$53,824,799</u>	<u>\$40,976,611</u>	<u>(\$12,848,188)</u>
Ending Retained Earnings	<u><u>\$40,976,611</u></u>	<u><u>\$37,464,168</u></u>	<u><u>(\$3,512,443)</u></u>

The table on the following page provides details of the FY 2005 proposed budget by fund. A small surplus (0.17%) is projected in the internal service funds while enterprise funds and federal grant funds show negative balances based on projected spending from retained earnings, as planned.

FY 2005 Proposed Budget, All Funds

	<i>Total, All Funds</i>	<i>Internal Service Funds</i>	<i>Enterprise Funds</i>	<i>General Funds</i>	<i>Special Revenue Funds</i>	<i>Federal Grant Funds</i>
Operating Revenues, incl transfers in	\$291,643,258	\$211,265,316	\$74,400,000	\$2,527,822	\$2,422,049	\$1,028,071
Expenses, incl transfers out	295,155,701	210,904,274	77,308,485	2,527,822	2,422,049	1,993,071
Net Change	(3,512,443)	361,042	(2,908,485)	0	0	(965,000)
Retained Earnings, July 1	40,976,611	25,362,000	14,122,036	0	527,575	965,000
Ending Retained Earnings	\$37,464,168	\$25,723,042	\$11,213,551	\$0	\$527,575	\$0

Internal Service Funds

Internal service funds include telecommunications, computer and consulting services. The FY 2005 proposed budget, shown below, includes the addition of \$97.2 million in direct bill revenues and expenditures based upon the agencies projected IT infrastructure spending estimates. (For large agencies, the projected spend is based upon the approved on-boarding schedule.) FY 2005 revenue estimates include growth in both IBM and Unisys CPU usage based on agency projections.

The increase in expenses over FY 2004 projections beyond the \$97.2 million is attributable to initiatives to upgrade current systems and processes necessary to meet integration requirements. The FY 2005 expenditures also include \$1.0 million in reductions to produce savings in VITA operations that are commensurate with the greatest impact experienced by any transitioned agency in paying the 5.52% administrative fee (equivalent to 0.07% of the total budget).

FY 2005 Proposed Budget Internal Service Funds

	<i>FY 2004 Projection</i>	<i>FY2005 Proposed Budget</i>
Operating Revenues, incl transfers in	\$110,381,900	\$211,265,316
Expenses, incl transfers out	111,479,900	210,904,274
Net Change	(1,098,000)	361,042
Retained Earnings, July 1	26,460,000	25,362,000
Ending Retained Earnings	\$25,362,000	\$25,723,042

Enterprise Funds

Enterprise funds include E-911 and VIPNet activities, both of which anticipate increases in revenues and distributions in FY 2005 over FY 2004 levels. A \$9.8 million transfer from the E-911 account to the Commonwealth's general fund that occurred in FY 2004 is not included in the FY 2005 proposed budget.

FY 2005 Proposed Budget Enterprise Funds

	<i>FY 2004 Projection</i>	<i>FY2005 Proposed Budget</i>
Operating Revenues, incl transfers in	\$68,455,256	\$74,400,000
Expenses, incl transfers out	81,170,444	77,308,485
Net Change	(12,715,188)	(2,908,485)
Retained Earnings, July 1	26,837,224	14,122,036
Ending Retained Earnings	\$14,122,036	\$11,213,551

General Funds

General funds include funding for start-up (FY 2004 only) and strategic management expenses. By their nature, these funds must be spent in the fiscal year provided. We anticipate a zero balance in these funds by the end of FY 2005. The change from FY 2004 to FY 2005 is primarily due to the lack of startup funds in the FY 2005 proposed budget.

FY 2005 Proposed Budget General Funds

	<i>FY 2004 Projection</i>	<i>FY2005 Proposed Budget</i>
Operating Revenues, incl transfers in	\$7,519,795	\$2,527,822
Expenses, incl transfers out	\$7,519,795	\$2,527,822
Net Change	0	0
Retained Earnings, July 1	0	0
Ending Retained Earnings	\$0	\$0

Special Revenue Funds

Special revenue funds are a mix of small activities and accounts, including Virginia Geographic Information Network (VGIN), Industrial Funding Adjustment (IFA), E-Government, Geographic Information Systems (GIS) and PPEA receipts. At June 30, we expect those revenues and expenses to be close to breakeven as shown. The additional increase over FY 2004 is attributable to funding provided by PPEA proposers to be used for PPEA costs.

FY 2005 Proposed Budget Special Revenue Funds

	<i>FY 2004 Projection</i>	<i>FY2005 Proposed Budget</i>
Operating Revenues, incl transfers in	\$2,115,208	\$2,422,049
Expenses, incl transfers out	\$2,115,208	2,422,049
Net Change	\$0	0
Retained Earnings, July 1	527,575	527,575
Ending Retained Earnings	\$527,575	\$527,575

Federal Grant Funds

Federal funds were provided in FY 2004 for the portable generator wiring project, scheduled for completion in September 2004, and a grant for a geographic information system project. A grant for the Statewide Alert Network (SWAN) system will be received in FY 2005. VITA anticipates that all of these grants will be expended in FY 2005.

FY 2005 Proposed Budget Federal Funds

	<i>FY 2004 Projection</i>	<i>FY2005 Proposed Budget</i>
Operating Revenues, incl transfers in	\$965,000	\$1,028,071
Expenses, incl transfers out	0	1,993,071
Net Change	965,000	(965,000)
Retained Earnings, July 1	0	965,000
Ending Retained Earnings	\$965,000	\$0

Start-up Funds

The General Assembly disapproved the Governor's request for funding to support start-up and savings initiatives in FY 2005. The Secretary of Finance is seeking alternatives to provide \$7.3 million for those activities including customer support, information center, security, disaster recovery, e-mail consolidation, desktop support and equipment financing initiatives.